

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No. _____

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors. _____

JANUARY 2017 POST-EFFECTIVE OPERATING REPORT

JANUARY 1, 2017 – JANUARY 31, 2017
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
RESPONSES TO QUESTIONS SUBMITTED

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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: February 28, 2017

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SCHEDULE OF DEBTORS

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	Case No.	Date Filed ("Commencement Date")
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009

The following Debtors’ chapter 11 cases were closed in 2016, pursuant to final decrees entered by the Bankruptcy Court (Docket No. 51920 and Docket No. 54163):

	Case No.	Date Filed	Date Closed
LB 745 LLC.....	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC.....	08-13664	9/23/2008	1/28/2016
CES Aviation LLC	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC.....	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009	1/28/2016
LB Somerset LLC	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC	09-17505	12/22/2009	1/28/2016
East Dover Limited.....	08-13908	10/5/2008	12/15/2016
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009	12/15/2016
Merit LLC	09-17331	12/14/2009	12/15/2016

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as relevant, to:

QUESTIONS@lehmanholdings.com

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under the Key Documents tab and the Responses to Questions Submitted category

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JANUARY 1, 2017 – JANUARY 31, 2017**

The information and data included in this January 2017 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities

Schedule of Cash Receipts and Disbursements

January 1, 2017 - January 31, 2017

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	LBHI	LBSF	Debtors			Debtor-Controlled Entities Total	Total Debtors and Debtor-Controlled Entities
			LCPI	Other	Total		
Beginning Free Cash and Investments (01/01/17)	\$ 211	\$ 71	\$ 72	\$ 319	\$ 672	\$ 242	\$ 914
Sources of Cash							
Commercial Real Estate	0	-	1	-	1	0	1
Loans (Corporate and Residential)	1	-	0	-	1	0	1
Private Equity / Principal Investing	0	-	-	-	0	1	1
Derivatives	-	3	-	-	3	-	3
Receipts from Affiliates	(a) 11	0	-	-	11	-	11
Other	(b) (27)	0	(1)	0	(27)	2	(25)
Total Sources of Cash	(15)	3	0	0	(11)	4	(7)
Uses of Cash							
Non-Operating							
Commercial Real Estate	(3)	-	(0)	-	(3)	(0)	(3)
Other	(0)	-	-	-	(0)	(0)	(0)
Operating Expenses							
Compensation and Benefits	(d) (35)	-	-	-	(35)	(1)	(36)
Professional Fees	(10)	-	(0)	-	(10)	(0)	(10)
Other	(5)	(0)	(0)	(0)	(6)	(0)	(6)
Total Uses of Cash	(53)	(0)	(0)	(0)	(54)	(2)	(56)
Total Cash From Operations	(68)	3	(0)	0	(65)	1	(63)
Pre-Petition Inter-Company Receipts	0	-	-	0	0	0	0
Post-Petition Inter-Company Receipts	12	-	-	-	12	5	17
Total Inter-Company Transfers Receipts	(e) 12	-	-	0	12	5	17
Pre-Petition Inter-Company Disbursements	-	-	(0)	-	(0)	(0)	(0)
Post-Petition Inter-Company Disbursements	(2)	(5)	(2)	-	(9)	(7)	(17)
Total Inter-Company Transfers Disbursements	(e) (2)	(5)	(2)	-	(9)	(7)	(17)
Payments to Creditors - Other	(3)	-	-	-	(3)	-	(3)
Total Payments to Creditors	(3)	-	-	-	(3)	-	(3)
Other	2	1	0	0	3	0	3
Reclass from/(to) Restricted Cash to Free Cash	0	-	-	(0)	0	0	0
Net changes in Free Cash and Investments	(59)	(1)	(3)	0	(62)	(1)	(63)
Ending Free Cash and Investments (01/31/17)	152	70	69	319	610	241	851
Beginning Restricted Cash (01/01/17)	3,418	870	1	177	4,467	27	4,494
Citigroup	0	-	-	-	0	-	0
Other	(0)	-	-	0	(0)	(0)	(0)
Net Changes in Restricted Cash	(0)	-	-	0	(0)	(0)	(0)
Ending Restricted Cash (01/31/17)	3,418	870	1	177	4,467	27	4,494
Beginning Total Cash and Investments (01/01/17)	3,629	941	73	496	5,139	269	5,408
Net changes in Free Cash and Investments	(59)	(1)	(3)	0	(62)	(1)	(63)
Net changes in Restricted Cash	(0)	-	-	0	(0)	(0)	(0)
Ending Total Cash and Investments (01/31/17)	(f) \$ 3,570	\$ 940	\$ 71	\$ 496	\$ 5,077	\$ 268	\$ 5,345

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2017 - January 31, 2017

Unaudited (\$)

Notes:

- (a) Receipts from Affiliates at LBHI primarily include \$10 million from Lehman Brothers Real Estate Australia Commercial Pty Limited.
- (b) Other includes net variation margin of \$31 million paid by the Company pursuant to the foreign currency hedging program related to various movements in the Euro, British Pound and Swiss Franc versus the US Dollar.
- (c) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (d) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M). Compensation and Benefits paid in January 2017 includes contractual payments to Lehman employees of approximately \$30 million for services performed in 2016.
- (e) Inter-Company Receipts and Disbursements include partial repayments on intercompany balances.
- (f) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$9 million of cash balances at Debtor-Controlled Entities in Asia.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
JANUARY 1, 2017 – JANUARY 31, 2017

The information and data included in this January 2017 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities

Schedule of Professional Fee and Expense Disbursements

January 2017 (a)

Unaudited (\$ in thousands)

		Jan-17	Year-to-date
		\$	\$
Professional Fees			
Alvarez & Marsal LLC	Staff Resources	\$ 573	\$ 573
Professional Fees			
Allister Brown Group LLC	Document Review for Litigations	288 (b)	288
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	276	276
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	136	136
F1 Technical Solutions, INC	Document Review for Litigations	524 (b)	524
Jones Day	Litigation Counsel	1,894	1,894
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	35	35
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	1,576	1,576
Rollin Braswell Fisher LLC	Special Counsel - RMBS	611	611
SBCC Group, Inc	Legal Experts for Litigations	263 (b)	263
Trusted Data Solutions, LLC	Data Preservation / Tape Restoration	244	244
Weil Gotshal & Manges	Lead Counsel - Debtors	2,117 (b)	2,117
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	71	71
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	319	319
Other Professionals	Various	1,770 (c)	1,770
Sub-total Professional Fees		10,124	10,124
Total Professional Fees (including A&M)		\$ 10,698	\$ 10,698

Note: The above list includes vendors that have been paid over \$1 million on a trailing 12 month basis and vendors that were paid over \$150 thousand for the month reported.

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Reflects professional fees incurred over multiple months.

(c) Other Professionals reflect disbursements to approximately 90 vendors.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

RESPONSES TO QUESTIONS SUBMITTED

The Company reviews questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company endeavors to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries. The information included herein is derived from publicly filed documents and sources available to the Company.

The reader should refer to the respective documents referenced in connection with these responses. Capitalized terms used in the responses herein have the meanings ascribed to them in the respective documents. These responses are not provided for and should not be relied upon for investment guidance.

I. Responses to Questions Related to Foreign Currency Hedges

1. **QUESTION:** Please provide an updated on the Company's foreign currency hedging programs.

Response: As disclosed in previously filed Quarterly Financial Reports, the Company conducts hedging programs to protect (i) against the loss of value of a portion of certain foreign affiliate receivables, real estate assets, and derivatives due to fluctuations in foreign exchange rates, and (ii) the value of certain derivatives transactions that have not been terminated by counterparties. As of February 27, 2017, total notional amounts hedged primarily related to Receivables from Non-Controlled Affiliates were approximately €368 million, £897 million, and CHF205 million. **As part of ongoing liquidity management, the Company has decided to terminate the currency hedging programs in the week beginning March 13, 2017.**

II. Responses to Questions Related to JP Morgan Settlement Agreement

2. **QUESTION:** On February 1, 2017, the Plan Administrator filed a motion with the Bankruptcy Court [Docket No. 54683] for approval of the settlement agreement among LBHI, certain Controlled Entities, and JPMorgan (the "JPM Settlement Agreement"). In the motion, the "Claims Allowance and CDA" term provided for the treatment of certain claims against LBHI and certain Controlled Entities. Please provide additional clarification on the actual treatment of each of these claims.

Response: On February 9, 2017, LBHI filed a supplement to the motion to approve the JPM Settlement Agreement with the Bankruptcy Court [Docket No. 54735] to provide further details on the treatment of each of these claims.

III. Responses to Questions Related to Formula One

3. **QUESTION:** According to the October 6, 2016 Quarterly Financial Report [Docket No. 54684], the Debtors made their eleventh Plan Distribution (“D11”) to creditors of approximately \$3.8 billion. What portion of the amount distributed at D11 related to cash collected from the sale of the Company’s interest in Formula One?

Response: Amounts distributed at D11 included approximately \$123 million derived from the sale of the Company’s interest in Formula One as reflected in the Significant Restructurings, Settlements, Sales, Wind-down, or Liquidations schedule on page 41 of the October 6, 2016 Quarterly Financial Report. Refer to the June 30, 2016 Quarterly Financial Report [Docket No. 53697] and the Liberty Media Investor Relations site at ir.libertymedia.com for additional information regarding the sale of Formula One.

IV. Responses to Questions Related to Taxes

4. **QUESTION:** According to the June 30, 2016 Quarterly Financial Report [Docket No. 53697], LBHI received a \$335 million income tax refund related to the 1997-2010 IRS audit periods. Will the Debtors or Debtor-Controlled Entities with tax receivables receive new LBHI claims related to this refund?

Response: The Company utilized the Debtor Allocation Agreement (the “DAA”) to account for the income tax refund of \$335 million received in September 2016, and pursuant to the DAA, will adjust the receivables and payables between LBHI and other Debtors and Debtor-Controlled Entities. Pursuant to the DAA, any tax receivables or payables related to pre-petition, consolidated group taxes, including the IRS refund, are treated as allowed pre-petition claims between LBHI and other Debtors and Debtor-Controlled Entities and subject to set-off or recoupment. As such, LBHI’s existing claims balances against certain Debtors (Class 5A/4A) and Debtor-Controlled Entities and certain Debtors and Debtor-Controlled Entities’ claims balances against LBHI (Class 4A/4B) will be commensurately adjusted to reflect the offsetting impact of the income tax refund, and future distributions will be based on the adjusted claims/payables balances for the effected Debtors and Debtor-Controlled Entities.

V. Responses to Questions Related to December 2016 Post-Effective Operating Report

5. **QUESTION:** The December 2016 Post-Effective Operating Report [Docket No. 54674] reflects Post-Petition Inter-Company Disbursements of \$62 million at LBHI. Please provide additional information about these inter-company disbursements.

Response: The Post-Petition Inter-Company Disbursements of \$62 million at LBHI is primarily related to purchases of claims against Non-Controlled Affiliates from other Debtors. As part of the Company’s planned operational wind-down and legal entity dissolution process, the Company has consolidated and will continue to consolidate claims among Controlled Entities.